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**FISCAL IMPACT STATEMENT**

**LS 7507**  
**BILL NUMBER: SB 566**

**NOTE PREPARED:** Feb 15, 2015  
**BILL AMENDED:** Feb 12, 2015

**SUBJECT:** Education.

**FIRST AUTHOR:** Sen. Mishler  
**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill has the following provisions:

***BEST Program:*** The bill replaces ISTEP program testing with BEST testing program for school years beginning after June 30, 2016. It establishes certain procedures related to implementing the BEST program, including Budget Committee review. It specifies that the State Board of Education is primarily responsible for assuring that necessary flexibility waivers under the federal No Child Left Behind Act are obtained in a timely fashion.

***Innovation Network School:*** The bill provides for innovation network school programs in school corporations other than the Indianapolis Public Schools.

***Performance Grant:*** The bill extends the school performance grant program through the 2016-2017 school year, and makes changes in the calculation and use of the grant for stipends to teachers. It permits the governing body of a school corporation to specify that less than 50% of a stipend to a teacher from a performance grant becomes, in school years after the school year in which the stipend is awarded, a permanent part of the teacher's annual salary.

***Supplemental Payment:*** The bill permits teachers to receive a supplemental amount for completion of certain master's degrees.

***Teaching License:*** The bill requires the Department of Education to establish a program to permit an individual with a major in science, technology, engineering, or mathematics and a minor in education to obtain a teaching license.

*Collective Bargaining:* The bill requires school employers to bring collective bargaining agreements into conformity with law, provides for oversight by the Education Employment Relations Board to bring these agreements into compliance, permits certificated employees to be paid based on adopted salary ranges rather than salary schedules, and makes other changes in collective bargaining. It specifies that a collective bargaining agreement may not prohibit a school corporation from reducing expenditures under a contract if actual revenues fall below projected revenues or expenditures exceed projected expenditures.

*Supplemental Payment:* The bill indicates that a school corporation may provide supplemental compensation to a teacher who earns a master's degree in a content area directly related to a dual placement course taught by the teacher.

**Effective Date:** Upon passage; January 1, 2015 (retroactive); June 30, 2015; July 1, 2015; July 1, 2016.

**Explanation of State Expenditures: Summary:**

(Revised) *BEST Program* - The fiscal impact could be an increase or decrease in state costs depending on whether the per-student costs of the nationally recognized assessment under the BEST program is more than or less than the per-student costs of the ISTEP assessment program. Beginning with the 2015-16 school year, the Department of Education (DOE) projects the cost of the ISTEP assessment program to be approximately \$65 M; this includes the cost of testing and remediation. Beginning with the 2016-17 school year, the projected cost of an assessment system under the BEST program is unknown at this time.

There could be indeterminate additional costs to the State Board in evaluating one or more nationally recognized assessments, adopting any necessary modifications to the Indiana Academic Standards, and holding the public hearings on the BEST assessment as required by this bill. The DOE could incur additional costs in developing and processing the request for proposals for the assessment to be implemented under the BEST program. The costs could increase if the DOE has to submit to the U.S. Department of Education an additional request for a flexibility waiver because of the implementation of the BEST program. The Education Roundtable would incur additional costs in reviewing the request for proposals submitted to it by the DOE.

*Innovation Network Schools* - The DOE has to include the performance results of the innovation network school and the participating innovation network charter school when computing the performance assessment results of the parent school corporation. It also has to treat the innovation network school in the same manner as a school in the school corporation when computing the total amount of state and federal funding to be distributed to the school corporation. This should be within the DOE's routine administrative functions.

*Teaching License* - This provision could increase the workload of the DOE in determining if prospective applicants have the proper credentials required by this bill.

*Collective Bargaining* - The Indiana Education Employment Relations Board (IEERB) could require up to 3 additional employees to evaluate collective bargaining agreements for compliance with current law and this bill. Annual salary and fringe benefit costs are estimated to be \$225,000. In 2014, approximately 304 collective bargaining agreements were submitted to the IEERB. The number of appeals to the IEERB could increase adding to the costs associated with hearing appeals. The IEERB would also incur additional administrative costs in distributing the findings of the factfinder to school corporations and school employee organizations.

The bill's requirements represent an additional workload [and/or expenditure] on the IEERB outside of the agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

The DOE currently evaluates collective bargaining agreements for compliance with current law.

*Additional Information:*

(Revised) *BEST Program* - Beginning with the 2015-16 school year, the state is scheduled to implement the ISTEP assessment program based on the Indiana College and Career Readiness Academic Standards adopted by the State Board in 2014. Under this provision, the BEST program is scheduled to be implemented beginning with the 2016-17 school year. The BEST program would use a nationally recognized assessment program selected by the State Board. The content of this assessment program must align with the Indiana College- and Career-Readiness Academic Standards, and must comply with federal standards in order for the state to retain its flexibility waiver. Under the bill, the State Board has the primary responsibility of ensuring that the necessary flexibility waivers under the federal No Child Left Behind program are obtained in a timely fashion. The bill directs the Superintendent of Public Instruction and the DOE to carry out the work necessary to obtain and renew the flexibility waivers.

The bill outlines the process by which the BEST program would be implemented and delineates the responsibilities of the State Board, the DOE, the Education Roundtable, and the State Budget Committee.

(Revised) *Performance Grant* - School corporations would use the grant to distribute stipends to highly effective and effective teachers. The bill states that if the total amount of the computed performance grant exceeds the appropriation, the grants awarded to school corporations would be reduced proportionately.

*Teaching License* - Under the program established by the bill, an individual who has a bachelor's degree or a graduate degree with a grade point average of at least 2.5 on 4.0 scale in science, technology, engineering, or mathematics from an accredited postsecondary educational institution, and an education minor or concentration from an accredited teacher preparation program, may obtain a license to teach in school corporations and charter schools. The DOE would establish the program not later than August 1, 2015.

*Collective Bargaining* - Under the bill, beginning with the 2015-16 school year, the IEERB would assign and pay for a factfinder to evaluate each collective bargaining agreement to ensure that it conforms to current law and this bill. The factfinder would make recommendations to address any discrepancies.

If the terms of the contract have to be amended to make the collective bargaining agreement conform to current law and this bill, the IEERB would appoint a second factfinder to monitor the collective bargaining process the following year.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Innovation Network School* - This bill directs the governing body of a local school corporation to develop a program to support teachers and administrators who wish to establish

an innovation network school. Any additional expenditures because of this provision would have to be met within the corporation's existing budget.

Under this bill, the school corporation may provide transportation for students attending the innovation network school, and maintain and repair the buildings and grounds. If requested, corporations would also provide goods or services to the innovation network school at cost, thereby reducing operational expenditures for the innovation network school. This would also apply if the school in question is a participating innovation network charter school.

(Revised) *Performance Grant* - Under the bill, up to 50% of the stipend awarded a teacher would become a permanent part of the teacher's base salary. This could lead to an increase in the school corporation's expenditures for salaries. Under the bill, teachers in special education programs and career and technical education programs would be entitled to receive a stipend if they qualify.

*Supplemental Payment* - This could increase the cost of salary expenditures to school corporations by an indeterminate amount. Under current law, teachers under certain contracts are entitled to compensation for graduate degrees and credits. Under this bill, all teachers who earned graduate credits before the effective date of a compensation plan created before July 1, 2015, would be entitled to compensation for those credits. Additionally, after June 30, 2015, a school corporation can provide a supplemental payment to teachers who earn a master's degree from an accredited postsecondary educational institution in education or a content area directly related to an advanced placement or other course taught by the teacher. The supplemental payment is not subject to collective bargaining; it is in addition to any other salary increases.

*Teaching License* - This could increase the pool of available teachers in these subjects areas.

*Evaluation Plan* - Under the bill, for school years beginning after June 30, 2015, the superintendent of the school corporation has to conduct annual reevaluation planning sessions with the principals in the school corporation. The bill also stipulates that the staff evaluation plan must be in writing and be explained to the governing body of the school corporation in a public meeting. The costs associated with these requirements would be met within existing budgets.

The bill states that school principals would report in the aggregate the results of staff performance evaluations for the school to the superintendent and the governing body before November 15 each year. The report must also be presented in a public meeting. The costs associated with these requirements would be met within existing budgets.

*Collective Bargaining* - The cost to school corporations could increase if the factfinder determines that the contract terms have to be amended during the collective bargaining negotiations the following year. Under this bill, the IEERB would appoint a factfinder to monitor the negotiations. The corporation would share the cost of the factfinder with the employee organization. If the corporation decides to appeal the factfinder's ruling, it would incur the costs associated with the appeal.

The impact of having salary ranges rather than salary schedules would depend on whether the average compensation per teacher under salary ranges was more than or less than the average compensation under the salary schedules resulting in a cost saving or cost expenditure to the school corporation.

**Explanation of Local Revenues: Summary:**

*Innovation Network School* - This bill gives the governing body of any school corporation the authority to enter into an agreement with a school management team to operate an innovation network school as defined by this bill. (Under current law, only the Indianapolis Public Schools (IPS) school district has the authority to create an innovation network school.) The state tuition support, local, and federal funding for the school in question would be transferred from the school corporation to the school management team, decreasing the amount of revenue the school corporation receives.

The bill permits the school management team to use the existing school building, property, and the building's contents, as provided by the agreement, for as long as it operates the innovation network school. If the school corporation has vacant or underutilized facilities, it may gain revenue from leasing a facility to the school management team (if this is part of the agreement).

*Additional Information:*

*Innovation Network School* - Under the current statute, an innovation network school is a school in the IPS school district operated by a school management team under an agreement with IPS.

This bill makes the following changes to the original concept of an innovation network school:

(1) It provides that any school corporation may establish an innovation network school, not just IPS. Additionally, any school within the school corporation can be declared an innovation network school. Under current law, a school had to be in the lowest two categories of school improvement for the last three consecutive school years.

(2) It permits the parent school corporation to transfer money levied as property taxes to the school management team.

Apart from these stipulations, current law would apply to all innovation network schools. The school management team would have full operational autonomy to run the innovation network school and would not be bound by a prior collective bargaining contract entered into by the governing board. The school corporation may also enter into an agreement with a charter school organizer to establish a participating innovation network charter school within one of its vacant, underutilized, or under-enrolled school buildings.

**State Agencies Affected:** Department of Education; State Board of Education; Indiana Employer Education Relations Board; State Budget Committee; Superintendent of Public Instruction; Education Roundtable

**Local Agencies Affected:** School corporations; Schools; Charter schools; Governing bodies of school corporations; Superintendents of school corporations; school principals

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